

PERSPECTIVE INSIGHTS

Articles

PRIORITISING LOCAL TALENT: THE REVISED EXPATRIATE SALARY AND EMPLOYMENT PASS (EP) POLICY

Posted on February 09, 2026 by Cassandra Peter

“The revised Employment Pass policy marks a clear shift toward prioritising local talent, requiring employers to rethink expatriate reliance through structured succession planning and long-term workforce development.”

On 14 January 2026, the Ministry of Home Affairs announced a revised Expatriate Salary and Employment Pass (EP) Policy which will take effect on 1 June 2026. This revision aligns with the objectives of the Thirteenth Malaysia Plan (RMK-13) to reduce reliance on foreign labour and prioritise the development and employment of qualified local talent.

Set out below is a summary of the key changes that employers should take note of:

1. Effective Date and Scope

All new and renewal Employment Pass applications submitted on or after 1 June 2026 must comply with the

revised requirements. The policy is not retrospective in nature and will only be effective 1 June 2026. For existing expatriates' salary structure, a transitional arrangement will be announced by the Ministry of Home Affairs.



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2. Revised Minimum Salary Thresholds

The minimum salary levels for Employment Pass categories have been significantly increased as follows:

EP Category	Current Minimum Salary	Revised Minimum Salary (Effective 1 June 2026)	Employment Pass Duration
Category I	RM 10,000 and above	RM 20,000 and above	Up to 10 years
Category II	RM 5,000 - RM 9,999	RM 10,000 - RM 19,999	Up to 10 years with succession plan
Category III	RM 3,000 - RM 4,999	RM 5,000 - RM 9,999	Up to 5 years with succession plan
Category III (Manufacturing and Manufacturing related services)	RM 3,000 - RM 4,999	RM 7,000 - RM 9,999	Up to 5 years with succession plan

3. Introduction of Succession Plan Requirement

For Employment Passes Categories II and III, employers must submit a structured succession plan, outlining how local employees will be trained to eventually assume the expatriate's role. This includes identification of roles to be localised, knowledge transfer mechanisms, training and mentoring plans and clear timelines to ensure business continuity. Failure of the employer to implement a succession plan may affect future employment pass applications.

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4. Employment Duration Framework Introduced

A maximum employment duration has been imposed to reduce long-term dependency on expatriates and to promote systemic local talent development. Any extension beyond the maximum stipulated period will be assessed on a case-by-case basis.

The Ministry of Home Affairs will be conducting engagement and consultation sessions and will issue further implementation guidelines to ensure a smooth transition. In the meantime, employers can review current expatriate salary, identify Employment pass holders who may be impacted upon renewal and begin workforce and succession planning at an early stage. Employers should also factor the revised salary thresholds and compliance requirements into future manpower planning and budgeting to ensure readiness and minimise potential business disruption ahead of the policy's implementation.

Frequently Asked Questions (FAQ's)

1. What does it mean by a succession plan?

A succession plan refers to an employer's structured and clearly defined plan to prepare local talent to succeed or replace the role of an expatriate within a specified employment period. The succession plan should include among others:

- Identification of positions and functions to be transferred to local employees.
- Training, mentoring and knowledge transfer from expatriates to local employees
- A reasonable timeframe to ensure local employees are fully prepared in terms of skills and competencies.
- Operational continuity planning to ensure that the transition does not affect productivity or organisational performance.

2. Do employers need to revise all current expatriate employee's salary ahead of the implementation of the revised policy?

No. The revised policy is not retrospective in nature and will only take effect on 1 June 2026. There will be a transitional regulation/arrangement that will be announced by the Ministry of Home Affairs to address the salary structure of the current expatriates. However, the revised salary structure requirement must be complied with upon renewing the Employment Pass (for all categories) for current expatriate employees after 1 June 2026.

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3. Are expatriates allowed to bring dependents under this new revised policy?

Yes, all expatriates under Employment Passes Categories I, II and III are allowed to bring dependents under the new revised policy.

4. Is there a maximum duration imposed for expatriates under Employment Passes Categories I, II or III?

Yes, with the revised policy, a maximum duration has been introduced for Employment Passes Categories I, II and III. Under the current framework, Employment Passes for Categories I or II are renewable without limitation while the Employment Pass for Category III is limited to a maximum of 2 renewals. The introduction of a maximum duration as stated above (Employment Pass Categories I and II - up to 10 years and Employment Pass Category III up to 5 years) indicates that employers are only allowed to apply or renew the Employment Pass for the maximum period indicated in the revised policy.

5. Can the Employment pass for an expatriate extend beyond the maximum duration indicated?

Any extension beyond the maximum duration indicated in the revised policy will be evaluated on a case-by-case basis [2].

6. What happens if an employer does not submit or prepare a succession plan?

For Employment passes under Category II or III, a succession plan is required to be submitted with any new or renewal application. Failure to submit a succession plan may cause the application to be rejected.

7. How would the execution of the succession plan be monitored and enforced?

The succession plan would be monitored and enforced by relevant agencies through documentations, periodic reporting and assessments [2].

8. How would employers be supported during this transition period?

The Ministry of Home Affairs will be conducting engagement and consultation sessions and will issue further implementation guidelines to ensure a smooth transition. In addition, MYXpats Centre will conduct briefing sessions to share key updates and provide clarification on the revised policy, its implementation requirements and related processes [3].

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9. What can employers do to prepare for the implementation of the revised policy?

Employers may take proactive steps by reviewing current expatriate salary structures, identifying Employment Pass holders who may be impacted upon renewal, and assessing roles that could be affected by revised eligibility or salary thresholds. Employers should also commence early workforce and succession planning, and factor the revised salary thresholds and additional compliance requirements into future manpower planning, budgeting, and cost projections, to ensure early readiness and to minimise potential operational and business disruption ahead of the policy's implementation.

For further information, please reach out to any of our consultants or email your queries to consultants@e2consulting.com.my for assistance.

References:

[1] Press release by Ministry of Home Affairs dated 14 January 2026

<https://dmedia.penerangan.gov.my/upload/sm/14012026.1023709201.pdf>

[2] Frequently Asked Questions by Ministry of Home Affairs

[https://esd.imi.gov.my/portal/pdf/EN%20FAQ%20-%20NEW%20EXPATRIATE%20EMPLOYMENT%20POLICY%20\(EFFECTIVE%201%20JUNE%202026\).pdf](https://esd.imi.gov.my/portal/pdf/EN%20FAQ%20-%20NEW%20EXPATRIATE%20EMPLOYMENT%20POLICY%20(EFFECTIVE%201%20JUNE%202026).pdf)

[3] Announcement of briefing sessions by MYXpat Centre <https://esd.imi.gov.my/portal/latest-news/announcement/announcement-268/>

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